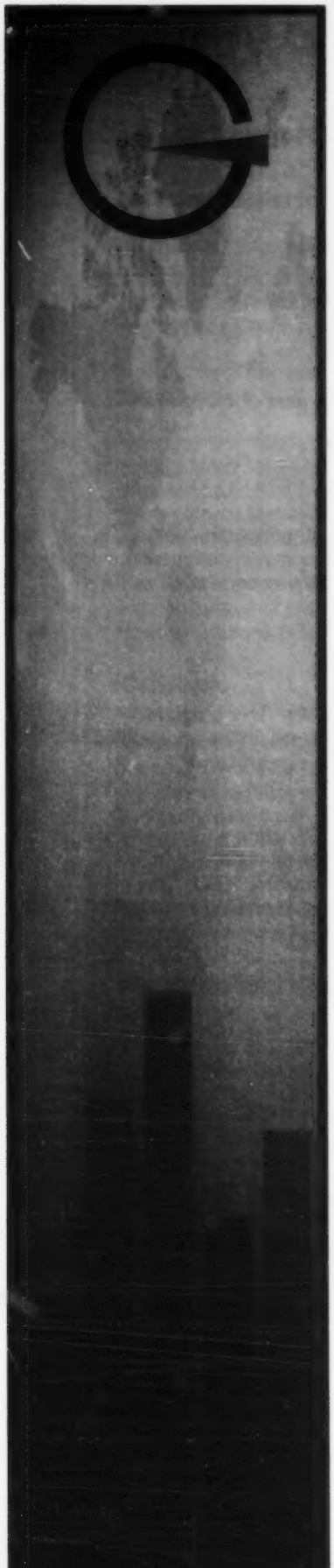

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

2008
June 30

Quarter Two Financial Report

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Creating economic wealth and diversification through investment of

INTRODUCTION

Mandate

The Saskatchewan Government Growth Fund Management Corporation (SGGF MC) was established in 1989 under Order-in-Council to create and manage investment funds that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program.

Vision

SGGF MC envisions the creation of economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

Mission

The mission of SGGF MC is to participate in the Federal government's Immigrant Investor Program for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms, thereby creating wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

Profile

SGGF MC was a participant in the federal government's Immigrant Investor Program (IIP). This program acquires lower cost capital for the commercial investment in Saskatchewan, providing small and medium-sized businesses with capital to grow and prosper, and thereby facilitating long-term economic growth and development for the Province.

The ability of SGGF MC to raise additional funds under the IIP ended on March 31, 1999, when a new Federal program was launched and SGGF MC declined to participate. In 2003, the fund companies were closed to new deposits and all investors were required to pay their subscriptions in full by December 15, 2003. The capital currently under management and from the three funds launched in 1999 will require administration for at least the next three years.

SGGF MC manages eight government administered venture capital funds under the old IIP, specifically:

Saskatchewan Government Growth Fund Ltd. (SGGF I);
Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

SGGF fund companies have provided an important source of venture capital financing in Saskatchewan to assist in economic development in the Province.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter Results

SGGF MC's consolidated loss for the six months ending June 30, 2008 of $555.2 thousand is $528.8 thousand lower than the loss of $26.4 thousand over the comparative period in 2007. The results are primarily due to a significant increase in legal and professional fees associated with litigation that was before the courts in the first half of 2008. Legal and professional fees accounted for 70% of expenditures through June 30, 2008.

Management fee revenue for the first six months of 2008 was $290.4 thousand, down $162.9 thousand from the same period in 2007.

Management fee revenue consists of two components. The first component is a recovery of investment management fees charged to the Fund companies. Investment management fees charged to SGGF MC declined by $153.1 thousand in 2008 over the same period in 2007, resulting in a commensurate decline in management fee revenue. Management fees are declining due to a decrease in the asset base on which the fund management fee is calculated.

The second component is a modest mark-up of 2% on these management fees used to fund administrative expenditures that are not charged back to the Fund companies. As SGGF Fund companies continue to wind-down operations SGGF MC will continue to experience revenue reductions.

Outlook

In the second quarter of 2008, SGGF MC successfully defended itself against litigation that had been before the courts since 2007 although the decision has been appealed. SGGF MC intends to await the decision on the appeal to determine its next steps, if any. The cost of SGGF MC's defense has had a significant impact on its cash position with cash and equivalents declining from $3.3 million in December 2006 to $1.6 million at the end of June 2008. Going forward, SGGF MC expects to operate much closer to break-even and expects to be in a position to pay a dividend to the GRF upon completion of the wind-up of the Corporation.

SGGF MC will continue to closely monitor its costs to ensure appropriate cash resources to meet financial obligations as the Funds continue to wind down operations.

Key Factors Affecting Performance

- Ability of the fund companies to liquidate their investment portfolios at values and in the timeframe necessary to provide for full repayment of investor capital at maturity.
- Ability of the fund companies to recover their costs of operation from the revenues earned on investment funds under management.
- Ability of SGGF MC to successfully defend itself against any potential litigation.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)
As At

	June 30 2008	December 31 2007
Assets		
Current		
Cash and short-term deposits	**$ 1,620,212**	$ 2,738,745
Accounts receivable	**20,858**	38,514
	1,641,070	2,777,259
Investments (Note 4)	**98,738**	126,431
	$ 1,739,808	$ 2,903,690
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 202,289**	$ 610,944
Site restoration liability (Note 5)	**-**	200,000
	202,289	810,944
Province of Saskatchewan's Equity		
Equity advances	**1,031**	1,031
Retained earnings	**1,536,488**	2,091,715
	1,537,519	2,092,746
	$ 1,739,808	$ 2,903,690

Contingencies (Note 6)

(See accompanying notes)

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (unaudited)
For the Period Ended

	2008		2007	
	April 1 To June 30	**January 1 To June 30**	April 1 To June 30	January 1 To June 30
Revenue				
Management fees	**$ 143,776**	**$ 290,366**	$ 342,408	$ 453,279
Interest and other income	**656**	**13,456**	24,270	131,143
	144,432	**303,822**	366,678	584,422
Expenses				
Fund manager fees	**107,870**	**233,871**	287,256	386,941
General administration	**2,323**	**3,186**	657	2,459
Legal fees and professional fees	**44,079**	**751,670**	130,582	181,380
Directors fees and expenses	**45,014**	**70,321**	34,750	40,019
	199,286	**1,059,048**	453,245	610,799
Loss before the following	**(54,854)**	**(755,266)**	(86,567)	(26,377)
Recovery of provision for site restoration	**200,000**	**200,000**	-	-
Net earnings (loss)	**145,146**	**(555,226)**	(86,567)	(26,377)
Other comprehensive income	-	-	-	-
Comprehensive income (loss)	**$ 145,146**	**$ (555,226)**	$ 3,616,428	$ (26,377)

(See accompanying notes)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (unaudited)
For the Period Ended

	2008		2007	
	April 1 To June 30	January 1 To June 30	April 1 To June 30	January 1 To June 30
Retained earnings, beginning of period	**$ 1,391,343**	**$ 2,091,715**	$ 2,823,269	$ 2,807,303
Net earnings (loss)	**$ 145,146**	**$ (555,226)**	$ (42,343)	$ (26,377)
Retained earnings, end of period	**$ 1,536,489**	**$ 1,536,489**	$ 2,780,926	$ 2,780,926

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)
For the Period Ended

	2008		2007	
	April 1 To June 30	**January 1 To June 30**	April 1 To June 30	January 1 To June 30
Operating activities				
Net earnings (loss)	**$ 145,146**	**$ (555,226)**	$ (42,343)	$ (26,377)
Net change in market value of investments	**13,575**	**27,693**	(3,873)	(68,025)
Net change in non-cash working capital balances related to operations	**(637,923)**	**(591,100)**	(85,851)	(201,166)
Cash used in operating activities	**(479,102)**	**(1,118,533)**	(132,067)	(295,568)
Net decrease in cash during the period	**(479,102)**	**(1,118,533)**	(132,067)	(295,568)
Cash position, beginning of period	**2,099,314**	**2,738,745**	3,163,934	3,327,435
Cash position, end of period	**$ 1,620,212**	**$ 1,620,212**	$ 3,031,867	$ 3,031,867

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Status of the Corporation

Saskatchewan Government Growth Fund Management Corporation (the Corporation) was established for the purpose of creating and managing fund companies that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program.

These consolidated financial statements include the accounts of the Corporation and its subsidiary, Saskatchewan Government Growth Fund Ltd. (SGGF I). All inter-company transactions have been eliminated on consolidation. The statements are unaudited.

2. Summary of significant accounting policies

The interim financial statements do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements released on April 25, 2008.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates which may impact the actual transactions and events reported in future periods.

The accounting policies used in the preparation of these interim financial statements conform to those used in the Corporation's most recent annual consolidated financial statements.

3. Change in accounting policies

Effective January 1, 2008, the Corporation adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the Corporation's operating results.

Effective January 1, 2008, the Corporation adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments - disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of CIC's risks arising from financial instruments. The presentation standards carry forward unchanged the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Corporation's operating results.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

4. Investments

Investments have been designated as held for trading. Changes in the market value of investments are recorded in interest and other income in the Consolidated Statement of Operations and Retained Earnings.

5. Site restoration liability

SGGF MC had recorded a provision of $200,000 in order to place property held for sale into a saleable position. During the period SGGF MC sold the property "as is", therefore the site restoration liability has been reduced to nil and the amount recorded as income in the current period.

6. Contingencies

The Corporation, together with other parties, is a defendant in a legal action. The Corporation believes that the claim is without merit and will vigorously contest the lawsuit. No amounts have been provided in respect of this lawsuit in these consolidated financial statements, and it is not possible to estimate any costs which might result.

7. Capital disclosures

The Corporation does not have share capital. However, the Corporation has received advances from its parent Crown Investments Corporation of Saskatchewan (CIC) to form its equity capitalization. The advances are an equity investment in the Corporation by CIC.

The Corporation is in the process of winding down its operations. Currently the Corporation does not carry any debt, and is not expecting to borrow during its wind-down period. Any assets on disillusion will be transferred to CIC.